

Message Text

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ACTION AF-08

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03

INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04

CEA-01 DODE-00 PM-04 H-02 L-03 PA-01 PRS-01 (ISO) W

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FM AMEMBASSY LAGOS

TO SECSTATE WASHDC 6165

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E.O. 11652: N/A

TAGS: PFOR, ECON, EINV, BENC, FI

SUBJECT: STATUS REPORT ON INDIGENIZATION

REF: (A) LAGOS 8539 (B) LAGOS 8516

1. THE FMG MADE TWO MAJOR ATTEMPTS DURING WEEK OF JULY 25-31 TO SHOW THAT IT IS IN CONTROL OVER THE DEFINITION AND IMPLEMENTATION OF THE NEW INDIGENIZATION MEASURES AND TO REASSURE FOREIGN INVESTORS OF THEIR CONTINUED IMPORTANCE IN NIGERIA. RESULTS OF FIRST EFFORT, A MEETING BETWEEN MEA COMMISSIONER GARBA AND TWENTY-SIX SELECTED CHIEFS OF MISSION (INCLUDING U.S.) WAS LARGELY COUNTERPRODUCTIVE (REF A). SECOND EFFORT, A CONFERENCE ORGANIZED BY THE NIGERIAN INSTITUTE OF MANAGEMENT IN LAGOS ON JULY 30, FEATURED ADDRESS GIVEN IN NAME OF ARMY CHIEF OF STAFF BRIGADIER SHEHU YAR'ADUA AND WAS MORE SUCCESSFUL. YAR'ADUA TEXT STRESSED NEED FOR ESTABLISHMENT OF A QTE GENUINE PARTNERSHIP BETWEEN THOSE WHO OWN THE RESOURCES AND OUR FOREIGN FRIENDS WHO CONTROL THE EXPERTISE AND THE TECHNOLOGY UNQTE. ALSO EMPHASIZED THAT INDIGENIZATION WAS NOT GOING TO "CREEP" ONWARD, I.E., THAT THE LATEST ROUND OF PERCENTAGES WAS BASICALLY FINAL. A HIGHLIGHT OF SESSION WAS IMPROMPTU SPEECH BY AKINTOLA WILLIAMS, LEADING LAGOS ACCOUNTANT AND MANAGEMENT CONSULTANT. WILLIAMS POINTED OUT THAT

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EVERYONE COULD LEARN FROM EXTRAORDINARY EXAMPLE OF UNITED STATES

WHICH HAD NEVER IMPOSED RESTRICTIONS ON EQUITY AND INVESTMENT IN REGARD TO PERSONS, NATIONALITIES OR AMOUNTS.

2. BUSINESS COMMUNITY CONTINUE TO MARK TIME WAITING FOR PUBLICATION OF INDIGENIZATION DECREE PROMULGATING FMG DECISIONS ANNOUNCED IN WHITE PAPER. DECREE'S PUBLICATION DATE NOT YET KNOWN. NONETHELESS GROWING CONSENSUS THAT EXPATRIATE BUSINESSES WILL STAY. RATIONALE BASED ON CURRENT HIGH PROFITS, FACT THAT SECOND PHASE OF INDIGENIZATION WILL NOT BECOME EFFECTIVE UNTIL DECEMBER 31, 1978, AND HOPE (HOWEVER FRAGILE) THAT FMG OR A NEW REGIME WILL EASE POLICY WITH QUALIFICATIONS.

3. RUMOR NOW CIRCULATING IN BANKING COMMUNITY THAT SEPT. 30 DEADLINE FOR 60 PER CENT OF BANK EQUITY TO BE IN NIGERIAN HANDS WILL BE EXTENDED FOR 6 MONTHS. BANKERS OPINE THAT FMG FINALLY REALIZING THAT NEGOTIATIONS ARE A COMPLEX MATTER, THAT BANKING EXPERTISE IS NOT ABUNDANT ON GOVERNMENT SIDE, AND THAT BANK PULL-OUT OR EVEN CHANGE OF BANK NAMES WILL HAVE A VISIBLY HARMFUL EFFECT ON ECONOMY. EMBASSY DISCUSSIONS WITH U.S. MERCHANT BANKS (CITIBANK, CHASE MANHATTAN AND FIRST NATL CHICAGO) CONFIRM THEY WILL ADOPT HARDLINE POSITION.

5. INTERESTINGLY ENOUGH, NEW INVESTMENT INITIATIVES APPEARING FROM U.S. RALSTON PURINA INVESTIGATING POSSIBILITY OF ESTABLISHING ANIMAL FEEDS PLANT; DECISION WILL LARGELY DEPEND ON ACCESS TO CORN IMPORTS. U.S. PIPE ALSO PUTTING OUT FEELERS FOR PIPE FINISHING FACTORY.

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